

Public Service Commission of Wisconsin
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Ex.-WEC-Lauber-10

Item	Language of Condition (including any modifications agreed to in testimony)
1	All transaction costs incurred by or allocated to WEPCO, WG, and WPSC shall be specifically identified and allocated to non-utility accounts.
3	WEC Energy may not recover any acquisition premium from the utility ratepayers. No acquisition premium even though not recoverable in rates, may be allocated to WEPCO, WG, or WPSC account.
8	After closing, and in any rate proceeding decided within six years after the Transaction closing the Applicant shall provide proof that no transaction costs are included in historical expenses of the operating utility or in the determination of revenue requirement.
10	Push-down accounting related to the Reorganization shall not be imposed upon or utilized <u>will only be used</u> by the Wisconsin Operating Companies for <u>financial reporting if required by Generally Accepted Accounting Principles (GAAP). Push down accounting related to the Reorganization will not be used by the Wisconsin Operating Companies for regulatory accounting or ratemaking purposes regardless of GAAP requirements.</u> any purpose, including for financial and regulatory accounting, and ratemaking.
12	Approximate acquisition-related transaction costs shall include: \$22 million to investment bankers; \$14.4 million legal; \$1.5 million legal – debt offering; \$1 million regulatory affairs; \$1 million transfer agent fees; \$1 million printers fees; \$750,000 SEC Registration; \$650,000 rating agency fees; \$350,000 tax and other financial consulting work; \$250,000 audit fees for S-4 filing; \$100,000 communications; \$47.6 million in pure change-in-control payments; a portion of \$140 million “cash-out” payments that vests at closing; and \$1.9 million to \$5.6 million annually for six years of directors and officers tail insurance or equivalent policy. <u>This list may not be exhaustive, and reflects current estimates.</u>
14	The Applicant shall expense the <u>transaction</u> costs to achieve the acquisition as incurred. WEPCO, WG, and WPSC may not recover any acquisition-related transaction costs from the Wisconsin retail jurisdictions.
16	Transaction costs should not be considered in determining excess revenues under Wis. Admin. Code § PSC 116.07(6) or any other Commission determination in which earnings is a consideration.
17	WEPCO, WG and WPSC shall be obligated to comply with the terms of Wisconsin's Holding Company Act, Wis. Stat. §§ 196.52 and 196.795, relating to affiliated interest transactions. WEPCO, WG and WPSC shall file new affiliated interest agreements for new qualifying relationships and for existing agreements that will have changes to names or services after the merger. This includes but is not limited to intercompany guarantees and lending arrangements, information sharing, technology

	and potentially gas portfolios.
43	WEPCO, WG and WPSC shall not participate in money pools (i.e. an arrangement under which cash is shared between WEC Energy Group and its subsidiaries). WEPCO, WG, and WPSC may not lend money to, or guarantee the obligation of, WEC Energy nor any affiliate with which it is in the holding company system. WEPCO, WG, and WPSC may not lend money to each other, nor guarantee each other's obligation without Commission authorization of the arrangements.
50	WEC Energy shall be subject to all applicable requirements of Wis. Stat. § 196.795 and to all of the conditions and requirements in any Commission order related to WEC and Integrys, including but not limited to the holding company formation orders and relevant merger orders.
51	All books and records of all entities in the corporate structure shall be readily available for Commission staff review in a reasonable manner, subject to approval by the Commission.
58	WPSC shall cooperate with Commission Staff on a study of WPSC's gas emergency response process. Within six months of the closing of the transaction, this study group will report back to the Commission.
60	For 2 years from the date of closing of the Transaction, any reduction in headcount among employees in Wisconsin who are represented by a labor union will occur only as the result of voluntary attrition or retirement.
69	The Commission shall have full access to the books and records of the service company as provided in Wis. Stat. §§ 196.52 and 196.795(5).
71	The parent holding company or its subsidiaries shall not elect to have the FERC review pursuant to Section 1275 of EPACT 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by the service company, until the Commission has reviewed and taken action on the affiliated interest transactions and agreements associated with the service company of amendments thereto. If the Commission has not completed its review and approval within a reasonable time after the Commission determined an amendment to the service company agreement is complete, the entities may seek such FERC review after giving the Commission 60 days' prior written notice.
72	An independent audit of the service company and its transaction shall be performed within two years after closing, and thereafter every three years. The Commission would select the auditor and have full control over the audit work (scope, supervision, etc.) with the audit product being a Commission product. WEC Energy will be required to provide the Commission a list of all external audit firms the holding company system has contracts with, and would be billed for the audit cost.

73	The Commission shall as a condition of acquisition approval take continuing jurisdiction over the service company structure.
74	In its performance of services, the service company: (a) shall follow applicable federal and state regulation, including codes and standards of conduct; (b) shall not give one or more entities in the corporate structure a competitive advantage in relevant markets; (c) shall not subsidize WEPCO, WG and/or WPSC or cause WEPCO, WG and/or WPSC to subsidize an affiliate; and (d) may include a return on its net assets at a rate no higher than the prevailing weighted cost of capital for WEPCO, WG and/or WPSC.
79	The utilities (WEPCO, WG and WPSC), in any proceeding in which recovery, analysis and/or justification of acquisition savings is at issue, shall provide a detailed analysis of transition costs and savings for Commission review and approval. Such analysis would include: (a) an accounting of acquisition (<u>i.e., transition</u>) costs incurred by the combined company broken down by function to the extent possible, (b) a calculation of acquisition savings accomplished by the combined company broken down by function to the extent possible, and (c) where costs exceed savings for a particular function, a demonstration that the costs are reasonable and prudent.
81	WEPCO, WG and WPSC shall be required to identify and track all acquisition-related transition costs incurred by the utility and allocated to in a manner that is readily reviewable and auditable by the Commission at a location within Wisconsin.
82	Deny deferral of and recovery of all transition costs. ¹
86	WEPCO, WG, and WPSC can recover acquisition-related transition costs from the Wisconsin retail jurisdiction, only if and to the extent such costs are: (a) incurred by or allocated to each of the utilities (each utilities portion or share of acquisition-related transition costs), (b) associated with financial benefits that each utility's ratepayers will receive as a result of the acquisition, and (c) the acquisition-related savings realized by each utility's ratepayers are equal to or greater than its acquisition-related transition costs.

¹ This condition was proposed by Mr. Hahn. Based on WEC's acceptance of Item 86, Mr. Hahn agreed to amend this condition to be consistent with Item 86. (Rebuttal-CUB-Hahn-8).